Medicine GOES RETAIL

BY CHRIS HODENFIELD
PHOTOGRAPHS BY DAVID ZAITZ
discussing the “health care system” in the United States, one should at least examine that word “system.” It suggests a sense of order that does not exist in the incoherent, free-jazz mambo called American medicine.

The numbers are too ungainly to contemplate. We spend nearly 18 percent of our gross domestic product on health care, while major European nations do it for 10 percent to 12 percent. What we spend on health care every year in this country—$2.9 trillion—actually exceeds Britain’s entire GDP.

But beyond the thousands of dollars each of us spends on health insurance, it’s the smaller numbers that sometimes cause aggravation.
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It’s the $40 painkillers at the hospital. Or the $140 “first-time patient fee” at a new doctor’s office.

Given the costs, it’s no wonder that a wave of alternatives is sweeping through the market. (Or as one health executive called it, “the morass.”) Everyone from the old medical guard to the investment community is studying the swift evolution of health care options. In the past, patients went to doctors who were on a list provided by their health plan. But today’s market assures customers of more consumer-driven choices, and they’re choosing simplicity. Perhaps it shouldn’t be seen as a splintering of the old health care system but rather as a needed reconfiguration.
The most noticeable shift can be seen in the proliferation of urgent care clinics that have sprung up on every Main Street and strip mall. Once derided as “Doc in a Box” outlets, they are now an accepted part of the health scene with at least 9,000 to be found across the country. This business model has cash-strapped hospitals moving in for a closer look. For the younger, caffeinated generation that hasn’t formed an allegiance to a traditional doctor’s office, it’s very attractive to walk through a storefront door right now, sans appointment, after work. The basic charge will be $75 to $150, and the added costs for some stitches or an X-ray will still be a fraction of the hefty payments sought at a hospital emergency room.

“Recently there’s been a tremendous explosion of interest in the urgent care model in the country,” says Paul Dickison, vice president of marketing at CareSpot, a firm with 52 such clinics. “A lot of that rush occurred in 2011–2012, with a lot of funding moving into this category. It was because [equity firms] anticipated a migration of the way people received health care, away from primary care to urgent care. There was an immediate need to fill that gap.”

On the coattails of urgent care sites are the more basic “retail medicine” clinics that have sprung up in CVS pharmacies, Walgreens, Krogers and the like. Target just made a deal with CVS to maintain retail clinics in 1,600 of its stores. Why? To get shoppers in the door, even if it’s just for a flu shot.

Retail medicine outlets are nothing fancy. According to some assessments, retail clinics only prosper during the winter cold-and-flu season. Unlike urgent care clinics, which are run by full MDs who can suture minor lacerations, interpret X-rays and write prescriptions, retail clinics are staffed with physician’s assistants or nurse practitioners. When more serious maladies arise at either location, patients are steered to a primary care physician.

While the attraction of a retail clinic might help a store’s business in certain seasons, Wal-Mart’s recent drive to add clinics, starting in Texas and South Carolina, appears to be with the intent of someday adding full primary care capabilities to its stores. In addition to providing bargain-rate health care for Wal-Mart’s 1.1 million employees, it’s also nice to be able to get allergy shots at the same place you buy your underwear and potato chips.

With the likes of Wal-Mart poaching customers, what do family doctors have to say about all this? It’s not all positive. The walk-in clinics are certainly convenient, but “you just don’t get the continuity of care you get with a doctor who has observed you for years,” says Dr. Robert Wergin, president of the American Academy of Family Physicians.

Wergin is a family doctor at a small town in Nebraska. He recalls the time a woman came into his office after two out-of-town visits to an urgent care clinic. She was suffering an aching nose. Diagnosing her with sinusitis, both urgent care doctors prescribed antibiotics. “But I had known this woman,” Wergin says. “I knew something wasn’t right.” He called a neurologist he knew, got her into a CAT scan the next morning, and within 48 hours she was in surgery for a brain tumor.

While urgent care clinics will freely steer patients to a primary care physician (PCP) or a hospital, Wergin notes that the medical data does not always move accurately from a clinic to a primary care office.

But one thing that walk-in clinics do provide is an easy entry portal for men in their 20s and 30s who might otherwise have avoided going to the doctor’s office. “Psychologically, they don’t see a need to have a primary care physician,” notes Dickison of CareSpot. “Our studies show that 50 percent of the men who come in don’t have a PCP, and neither do 38 percent of the women.”

It isn’t until they age and start seeing a need for follow-up visits that patients begin searching for a regular family doctor.

The urgent care business model has attracted a lot of investors. The rush started in 2011 when the probability of the Affordable Care Act’s enactment gave rise to the notion of
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50 million newly insured customers storming into clinics. That was how CareSpot came into being. Originally called Solantic, it was started by Rick Scott in 2001. In 2011, just as he was becoming Florida’s governor, he sold out to the private equity firm of Welsh, Carson, Anderson & Stowe (WCAS), which took sole ownership of the firm and renamed it CareSpot.

WCAS was not the only private equity firm to take a tidy interest in this model; dozens have moved into this realm. But as fascination with walk-in care rises, the private equity outfits now find themselves competing with hospital giants and insurance firms.

Health insurance colossus Humana, for instance, snapped up Concentra and its 340 locations. Then last spring UnitedHealth Group, the nation’s most profitable health insurance company, raised eyebrows when it went on a shopping spree via its Optum division. Chief among its acquisitions was the purchase of MedExpress and its 141 clinics in 11 states.

For insurance companies, the lower costs at urgent care clinics would seem to make a beautiful friendship. As well, there is a side benefit in owning walk-in clinics: They provide a wealth of data to those who take an interest. Insurance companies, of course, take a profound interest in data.

On the surface, however, it would appear surprising that hospitals are buying into urgent care clinics, given that they’re natural competitors. Indeed, those clinics have an advantage in being able to take on only the patients they want to take—those who are insured or who will pay right on the spot. (Not Medicaid, however, in most cases. Clinics don’t like haggling.) Hospitals, of course, are mandated by law to take anyone who shows up, which can add financial stress. (Vermont is debating legislation that would force walk-in clinics to treat all patients, regardless of ability to pay.)

Maybe hospitals are dealing with a case of “clinic envy.” With nonprofit hospitals now reporting revenue drops nationwide, it’s time to look afield.

There is no denying that hospitals want to be part of this business, says Tom Charland of Merchant Medicine. “They have to be. Otherwise they’re going to lose this business to equity-backed start-ups or insurance companies. It’s very clear that hospitals are looking for alternative revenue streams and service lines to offset that.”

Clearly something can be learned from the fast-medicine stores. Last year, when HCA, the nation’s largest hospital group, bought up...
CareNow, a Texas-based urgent care system, then–HCA President Sam Hazen fondly noted the convenience and accessibility of the walk-in clinics and told Reuters he wanted to “replicate that model in other markets.”

Well, after all, what is the essential American paradigm? Convenience.

The new options in retail medicine might be saving the country, given our increasing shortage of doctors. With boomers aging, this is no time for doctors to be bailing out, but they are.

Tellingly, one new player in the urgent care market is the burned-out doctor. “It’s the emergency-room physicians who have made a lot of money and have a high net worth,” says Charland, “and decide they want a change of pace from the high-stress emergency room.

This is not the first time Americans have faced a shortage of doctors. During World War II, midwives and other advanced levels of nurses were heavily in demand, and the concept of the nurse practitioner (NP) took hold. Today, the nation’s 150,000 NPs are a fundamental part of the health scene. (NPs go past the regular nurse’s five-year education with serious postgraduate work, and can participate in fields ranging from oncology to cardiology.) The retail clinics that one sees in a grocery or a box store are certain to be staffed by an NP. In rural areas, NPs are a godsend.

But where do we go from here? The newer, high-speed medical options are, of course, perfect for millennials. But when it comes to the business of appealing to a generation that keeps its eyes welded to the smartphone, the answer might be in the higher-tech medical care promised by telemedicine.

According to industry watchdog PwC, millennials are demanding to see “flexibility, convenience and technologies that deliver personalized experiences that meet their needs and emphasize well-being.” Accordingly, the market is preparing for advances in telemedicine devices that include biosensors to monitor vital signs, analyze blood and urine, and zip the information to the doctor’s office. Many new machines are being readied for market. Google and Apple are involved. And that Apple Watch on your wrist must be reading your pulse for a reason.

Such changes in the market are shaking up the offices of primary care doctors all over. Just as the concierge-medicine model has proved popular among upper-end physicians who desire a simplified office operation, the democratic model of the urgent care clinic has proven attractive to a medical community that prefers speed and numbers—even if it is lower-margin work. (There are no heart transplants in strip-mall clinics.)

The connective tissue between concierge and urgent care is something called direct primary care, which is now being advanced by firms like MedLion, Paladina Health and Qliance. These outlets offer access to doctors by subscription, so to speak, with monthly payments of $50 to $70. They’d like you to regard it as something analogous to a gym membership. While direct primary care is a small niche market now, once employers seize on it and turn it into a mainstream benefits plan, says Charland, “it will completely disrupt traditional primary care.

“And I think primary care physicians themselves will move into this model, because this is what they went to school for. They didn’t go for all the paperwork and the administration that is now a part of the traditionally run physician practices.”

As these systems subdivide and evolve into other hybrid models of health care, a warning may sound from an unlikely place: Your family doctor is hurting and could use some quick attention. Very likely, though, all the primary care physicians in the nation are scanning the shelves for a remedy. Even doctors sometimes have to beat “the system.”